

Message Text

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C O N F I D E N T I A L MOSCOW 6680

USDOC FOR BEWT/USSR

E.O. 11652: GDS
TAGS: EEWT, UR
SUBJECT: REORGANIZATION OF SOVIET FOREIGN TRADE SYSTEM

REFS: (A) MOSCOW 3714, (B) MOSCOW 3242, (C) MOSCOW 1627

1. AT RECEPTION MAY 11, CNOMOFF ASKED DR. E.A. AYKAZYAN, CHIEF, USA SECTION, STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, IF THERE HAVE BEEN ANY RECENT DEVELOPMENTS IN PROPOSED REORGANIZATION OF SOVIET FOREIGN TRADE SYSTEM FOLLOWING CENTRAL COMMITTEE-COUNCIL OF MINISTERS DECREE LAST YEAR ON THIS SUBJECT.

2. AYKAZYAN SAID THAT REFORMS ARE STILL BEING DISCUSSED IN MINISTRY OF FOREIGN TRADE BUT PROCESS IS MOVING SLOWLY. ASKED ABOUT GENERAL DIRECTION OF DISCUSSIONS, HE NOTED A GROWING CONSENSUS THAT END-USER MINISTRIES AND FTO'S MUST WORK TOGETHER FROM BEGINNING OF A MAJOR NEGOTIATION BUT ADDED THAT ORGANIZATIONAL MEANS OF ACCOMPLISHING THIS GOAL ARE STILL UNDER DISCUSSION. WHEN COMOFF ASKED WHY END-USER MINISTRIES COULD NOT ASSUME RESPONSIBILITY FOR THEIR OWN FOREIGN TRADE OPERATIONS, AYKAZYAN POINTED TO RESULTANT LESSENING OF (CENTRAL) CONTROL OVER MINISTRY OPERATIONS. AFTER COMOFF SUGGESTED THAT GOSPLAN CONTROL SHOULD
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SUFFICE, AYKAZYAN ADDED THAT GOSPLAN'S INVOLVEMENT IN FOREIGN TRADE WOULD INCREASE WITH PROPOSED REFORMS. DISCUSSION WAS UNFORTUNATELY INTERRUPTED BEFORE COMOFF COULD EXPLORE THIS ASPECT IN DETAIL.

3. COMMENT: (A) IT WOULD BE SENSIBLE TO INVOLVE BOTH END-USER MINISTRY AND FTO IN ALL PHASES OF A MAJOR NEGOTIATION.

AT PRESENT, FTO'S ARE OFTEN EXCLUDED FROM TECHNICAL NEGOTIATIONS WHICH PRECEDE COMMERCIAL NEGOTIATIONS FOR LARGE PROJECTS. SEVERAL US FIRMS HAVE COMPLAINED THAT THIS SYSTEM INVOLVES CONSIDERABLE DELAYS AS FTO OFFICIALS MUST FAMILIARIZE THEMSELVES WITH COURSE OF TECHNICAL NEGOTIATIONS BEFORE INITIATING COMMERCIAL SEGMENT. SOME COMPANIES ALLEGE THAT FTO'S DO NOT HAVE SUFFICIENT TECHNICAL EXPERTISE TO HANDLE EVEN COMMERCIAL NEGOTIATIONS FOR MORE INVOLVED PROJECTS.

(B) MAINTENANCE OF GOVERNMENTAL CHECK-AND-BALANCE SYSTEM IS PROBABLY MOST SOPHISTICATED ARGUMENT THAT CAN BE MADE FROM SOVIET STANDPOINT IN FAVOR OF RETAINING FTO ROLE. MFT'S PAINSTAKING EVALUATION OF REFORM PROPOSALS PROBABLY RELATED LESS TO THIS POINT, HOWEVER, THAN TO A HEROIC DEFENSE OF ITS BUREAUCRATIC PREROGATIVES.

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